



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 10, 2002

S. 848

Social Security Number Misuse Prevention Act of 2002

As reported by the Senate Committee on the Judiciary on May 16, 2002

SUMMARY

S. 848 would impose a variety of restrictions on the collection, use, public display, and sale of Social Security numbers (SSNs). The Attorney General would enforce those provisions through civil and criminal penalties. The bill also would require the Department of Justice to report to the Congress within one year of enactment on the use of SSNs in public records.

CBO estimates that implementing S. 848 would cost about \$4 million in 2003 and \$17 million over the 2003-2007 period, subject to the availability of appropriated funds. Pay-as-you-go procedures would apply because the bill's provisions related to civil and criminal penalties could increase both revenues and direct spending. However, CBO estimates that any such effects would be negligible.

S. 848 contains a number of intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA), including limitations on the sale, display, and use of Social Security numbers by state, local, or tribal governments. While there is some uncertainty about the aggregate costs of those mandates on state, local, or tribal governments, CBO estimates that the costs likely would exceed the threshold established in UMRA (\$58 million in 2002, adjusted annually for inflation) in at least one year over the next five years.

S. 848 also would impose private-sector mandates as defined by UMRA. The most costly mandate would require individuals and businesses that accept credit cards to electronically print truncated account numbers on receipts. CBO cannot estimate the aggregate direct cost of mandates in the bill because of uncertainty as to the number of credit card processing devices that would need to be upgraded and the wide range of replacement cost of those devices.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 848 is shown in the following table. The costs of this legislation fall within budget function 750 (administration of justice).

	By Fiscal Year, in Million of Dollars				
	2003	2004	2005	2006	2007
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	5	3	3	3	3
Estimated Outlays	4	4	3	3	3

BASIS OF ESTIMATE

S. 848 would require the Attorney General to enforce new restrictions on the collection, use, and sale of Social Security numbers. Based on information from the Department of Justice, CBO expects that the agency would need to hire about 15 additional staff members, including Administrative Law Judges, attorneys, and paralegals, for this purpose. CBO estimates that salaries and expenses for those new hires would cost about \$3 million a year, assuming the appropriation of the necessary amounts.

Under S. 848, the Department of Justice would conduct a year-long study on the use of SSNs in public records and on methods to remove them. CBO estimates that completing the report would cost about \$2 million in 2003, subject to the availability of appropriated funds.

Because those who violate the provisions of S. 848 could be subject to civil and criminal fines, the federal government might collect additional fines if the bill is enacted. Collections of civil and criminal penalties are classified in the budget as governmental receipts (revenues). However, CBO estimates that any such increase in collections would be less than \$500,000 per year.

Collections of criminal fines are deposited in the Crime Victims Fund and spent in subsequent years. Because any increase in direct spending would equal the amount of fines collected (with a lag), the additional direct spending also would be negligible.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Although S. 848 could affect both direct spending and receipts, CBO estimates that any such effects would be negligible.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 848 would prohibit—beginning three years after the enactment of the bill—the display, sale, or purchase of a number of public records which contain SSNs. It also would require state, local, and tribal governments to implement new procedures for handling public documents that contain SSNs. Such prohibitions and new requirements would be intergovernmental mandates as defined in UMRA.

The bill would prohibit—beginning three years after the enactment of the bill—the display, sale, or purchase of the following documents if they contain Social Security numbers: death certificates, professional and occupational licenses, property settlement documents, birth documents, land ownership records, marriage permits and licenses, bankruptcy documents, court judgments, child support documents, divorce petitions and decrees, and tax liens. Additionally, any public agency in possession of one of those documents must restrict internal access to the document and redact the Social Security number before providing the document to anyone who is not authorized to have access to SSNs.

State, local, and tribal governments that collect, maintain, and make documents available to the public would likely have to make systemic changes that alter their document maintenance and retrieval systems. Those changes may take the form of greater training for employees or changes in recordkeeping and computer systems used to generate the affected documents. Based on information from state and local governments and various interest groups representing them as well as survey data from the General Accounting Office (GAO), CBO believes it is likely that the aggregate costs of the requirements would be significant and would exceed the threshold established in UMRA for intergovernmental mandates (\$58 million in 2002, adjusted annually for inflation) in at least one year over the next five years.

Costs are likely to be significant because SSN use is pervasive. The GAO study indicates that over 90 percent of governments they surveyed (both state and county) use SSNs on both paper documents and electronic records. While agencies at all levels of government are already taking some steps to safeguard SSNs—for example, all states have either stopped using SSNs on drivers licenses, or they allow the use of an alternative identification number—SSNs still appear in a number of other documents such as death certificates, property documents, professional licenses, and court documents.

Because of the large number of state and local governments (well over 80,000) in the United States, even fairly low-cost changes to document systems would quickly add up to aggregate costs exceeding the threshold in UMRA. For example, if less than half of the agencies potentially affected by the bill (i.e., health and vital statistics, criminal justice, licensing, education, and human services departments) at all levels of government were required to implement some system change (computer changes or employee training) and each spent as little as \$5,000 on altering their systems or procedures over a three-year period, total costs would exceed the threshold at some point over the next five years.

The large number of municipal governments contributes significantly to the total estimated costs of complying with the mandates in this bill. And because there are so many of them (over 75,000), even small one-time costs—as little as \$5,000—would add up to costs over \$60 million in a given year. Counties and states are more dependent on SSNs for various recordkeeping and identification purposes and are thus likely to face significantly higher costs because of the complexity and scope of their recordkeeping systems. (Some counties estimate that altering their systems to use identifiers other than SSNs or to eliminate display of SSNs would result in one-time costs ranging from \$40,000 to over \$1 million, again depending on the county and the scope of the changes that would need to be made). Because there are fewer counties (about 3,600), however, total compliance costs for them would likely be lower than the aggregate costs attributable to municipalities.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 848 would impose a private-sector mandate by requiring individuals and businesses that accept credit cards to truncate the credit card account numbers to include no more than the last five numbers on an electronically printed cardholder receipt. The mandate would take effect four years from the date of enactment. According to the credit card processing industry, some systems are currently in compliance because they are capable of electronically printing truncated account numbers on customer receipts. In order to comply with this mandate, some merchants would have to make modifications to their systems, including software reprogramming, formatting changes to dial-up terminals, and purchase of new printing devices. CBO cannot estimate the direct cost of this mandate because of uncertainty as to the number of devices that would need to be upgraded and the wide range of replacement costs of those devices.

Under the bill, an individual or business entity would be prohibited from the purchase, sale, or display of an SSN to the general public, without the expressed consent of the individual. The purchase, sale, or display of SSNs would be allowed for business-to-business use or business-to-government use. According to the Federal Trade Commission (FTC) and industry sources, only a few entities currently display or sell Social Security number

information to the general public. Therefore, CBO estimates that the direct cost of this mandate would be minimal.

The bill also would impose a private-sector mandate on certain business entities by limiting the personal disclosure of SSNs for consumer transactions. Business entities could no longer require an individual to provide the individual's SSN when purchasing a commercial good or service unless the number is necessary to verify their individual's identity with respect to the specific transaction or to prevent fraud. According to the FTC and industry sources, some businesses currently require an individual to provide their SSN usually for the specific transaction identification or to prevent fraud. Therefore, CBO estimates that the direct cost to comply with this mandate would be small, if any.

ESTIMATE PREPARED BY:

Federal Costs: Ken Johnson

Impact on State, Local, and Tribal Governments: Leo Lex

Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Peter H. Fontaine

Deputy Assistant Director for Budget Analysis